

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 PA-02 PRS-01 /105 W

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R 221823Z AUG 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4091

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 13130

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING AUG. 22

BEGIN SUMMARY: THE WEEK WAS DOMINATED BY THE PRIME
MINISTER'S CANDID APPEAL FOR SUPPORT FOR THE GOVERNMENT'S

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ANTI-INFLATION PROGRAM. ALL OF THE STATISTICAL INDICA-

TIONS RELEASED PROVIDED FURTHER DETAIL ON THE SHAPE AND DEPTH OF THE CURRENT RECESSION. SPURRED BY SEASONAL FACTORS UNEMPLOYMENT INCREASED SHARPLY WHILE RETAIL PRICES ROSE AND CONSUMER EXPENDITURE DECLINED. REAL EARNINGS SHOWED THE FIRST SIGNS OF SHRINKING AS THEIR RATE OF INCREASE FELL BELOW THAT OF PRICES. END SUMMARY

1. UNEMPLOYMENT UP SHARPLY IN AUGUST: UNEMPLOYMENT CONTINUED ITS SHARP UPWARD TREND IN AUGUST. DEPT. OF EMPLOYMENT FIGURES SHOWED THAT REGISTERED UNEMPLOYMENT ROSE TO 1.25 MILLION IN AUGUST, AN INCREASE OF 163 THOUSAND OVER THE JULY TOTAL OF 1.087 MILLION. THE UNEMPLOYMENT RATE INCREASED FROM 4.7 PERCENT IN JULY TO 5.4 PERCENT IN AUGUST. IN THE PAST TWO MONTHS THE NUMBER OF JOBLESS HAS INCREASED BY 380 THOUSAND OR 43.6 PERCENT (SEE SEPTEL)

2. RETAIL PRICE INCREASES SLOW IN JULY: THE RETAIL PRICE INDEX FOR JULY INCREASED BY 1 PERCENT FROM ITS JUNE LEVEL STANDING AT 138.5 (1974 EQUALS 100) COMPARED WITH 137.1. OVER THE PAST THREE MONTHS THIS INDEX HAS RISEN AT AN ANNUAL RATE OF 27.9 PERCENT. THE INDEX IS PRESENTLY 26.3 PERCENT ABOVE ITS JULY 1974 LEVEL OF 109.7.

3. RISE IN WAGES AND EARNINGS CHECKED: THE RATE OF INCREASE IN AVERAGE EARNINGS FELL BELOW THE RATE OF RETAIL PRICE INCREASE IN JUNE. THE INDEX OF AVERAGE EARNINGS (1970 EQUALS 100) STOOD AT 221.0 IN JUNE UP BY 1.5 PERCENT FROM ITS MAY LEVEL OF 217.7. THE RATE OF INCREASE OVER 12 MONTHS DECLINED TO 25.4 PERCENT FROM 28.4 PERCENT IN JUNE. THE INDEX OF BASIC WEEKLY WAGE RATES ROSE TO A LEVEL OF 183.0 (1972 EQUALS 100) IN JULY OR SLIGHTLY MORE THAN 1 PERCENT ABOVE THE JUNE FIGURE OF 181.1. THIS REPRESENTS A ONE YEAR INCREASE OF 31.5 PERCENT, DOWN FROM THE 33 PERCENT JUNE RATE AND CONTINUES THE DECLINE FROM THE MAY PEAK RATE OF INCREASE OF 33.5 PERCENT.

4. GDP DROPS 2 PERCENT IN SECOND QUARTER. PROVISIONAL OUTPUT DATA FOR THE SECOND QUARTER SHOW THAT GROSS DOMESTIC PRODUCT MEASURED ON THAT BASIS DROPPED BY 2 PERCENT UNCLASSIFIED

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IN THE SECOND QUARTER. THE INDEX OF GDP AT CONSTANT FACTOR COST AND SEASONALLY ADJUSTED (1970 EQUALS 100) FELL TO 106.6 FROM THE FIRST QUARTER LEVEL OF 108.7. THIS REPRESENTS A DROP OF 2.7 PERCENT FROM THE 1974 SECOND QUARTER FIGURE OF 109.5. THE DROP IN 2ND QUARTER OUTPUT WAS LARGELY ATTRIBUTED TO A 3.5 PERCENT DECLINE IN INDUSTRIAL PRODUCTION.

5. CONSUMER EXPENDITURE (REVISED DATA); CONSUMER EXPENDITURE FELL BY 1-1/2 PERCENT IN REAL TERMS BETWEEN THE FIRST AND SECOND QUARTERS OF 1975. REVISED SECOND QUARTER FIGURES RELEASED THIS WEEK PUT CONSUMER EXPENDITURE AT 8.925 BILLION POUNDS DOWN .025 BILLION FROM THE ORIGINAL ESTIMATE AND 0.134 BILLION FROM THE FIRST QUARTER FIGURE OF 9.059 BILLION. THE SECOND QUARTER DECLINE STEMS FROM LOWER EXPENDITURES ON FOOD, CLOTHING AND MOTOR VEHICLES. THE FIRST AND SECOND QUARTERS OF 1975 SHOW A DECLINE OF SLIGHTLY LESS THAN 1/2 OF 1 PERCENT OVER THE THIRD AND FOURTH QUARTERS OF 1974.

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6. EXCHANGE RATE AND GOLD:

(DATES)	8/14	8/21	CHANGE
EXCHANGE RATE	\$2.1085	\$2.1120	UP \$0.0035
EFFECTIVE DEPRECIATION			
(PERCENT)	27.7	27.8	WIDENED 0.1
GOLD	\$160.00	\$162.12	UP \$2.12

7. FORWARD DISCOUNT ON STERLING:
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(DATES)	8/14	8/21	CHANGE
1 MONTH	0.72	0.60	DOWN 0.12
3 MONTHS	1.95	1.75	DOWN 0.20
6 MONTHS	3.85	3.45	DOWN 0.40

(ALL FIGURES IN CENTS)

8. EURODOLLAR INTEREST RATES:

(DATES)	8/14	8/21	CHANGE
1 MONTH	6-1/4	6-3/4	UP 1/2
3 MONTHS	7-1/8	7-3/8	UP 1/4
6 MONTHS	8-1/8	8-1/4	UP 1/8

9. LOCAL AUTHORITY DEPOSIT RATES:

(DATES)	8/14	8/21	CHANGE
1 MONTH	10	10-3/16	UP 3/16
3 MONTHS	10-1/2	10-9/16	UP L/16
6 MONTHS	10-3/4	10-L3/16	UP L/16

10. THE MINIMUM LENDING RATE REMAINS AT 11 PERCENT AS OF
FRIDAY, AUGUST 22, 1975.

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06 JUL 2006

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TAGS: ECON, UK
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